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SUBJECT: CROATIA TO SIGN TRADE PACT WITH KOSOVO

¶1. Summary and Comment: Croatian Minister of Economy Branko Vukelic will sign a recently-concluded trade deal with Kosovo in Zagreb on September 28. Although Kosovo represents a relatively minor market for Croatia, trade between the two has been growing steadily in recent years. The deal comes as Croatian companies have actively sought to strengthen their presence in the markets of the ex-Yugoslavia and in anticipation of a resolution of Kosovo's status. The agreement is the fruit of enlightened self interest and the GOC's policy of playing a constructive role regionally. End Summary.

¶2. Croatia will sign a free trade agreement with Kosovo on September 28 in Zagreb. The agreement will eliminate most tariffs on the small but growing annual trade exchange between Croatia and Kosovo. Trade between Croatia and Kosovo reached approximately 70 million dollars in the first six months of 2006, more than double the total of 33 million dollars recorded in all of 2005. In this, Croatia logs a strong surplus.

¶3. A Ministry of Economy contact told econ off that, although Kosovo does not represent a particularly large market for Croatia, it is attractive to Croatian firms that are trying to recapture market share in the countries of the ex-Yugoslavia. He also underscored Croatia's interest in helping Kosovo economically by opening Croatia's market.

¶4. More than half of Croatia's exports to Kosovo are food and food products, with industrial products accounting for the balance. Electric motors and generators account for most of the modest imports from Kosovo.

BRADTKE